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Honorable Secor D. Browne
Chairman
Civil Aeronautics Board
Washington, D. C.

Dear Mr. Chairman:

Thank you very much for your letter of April 10 in which you present your recommendations for the US-Italian negotiations scheduled to begin in Rome on April 14.

Appropriate instructions are being issued to the US Delegation which take into account your recommendations. However, your letter was silent on the issue of 747 services. We believe that during the negotiations the Italians will raise the 747 question and seek some understanding on arrangements for bringing this kind of equipment into service. In view of the strong interest of our carriers in placing the 747 into service as soon as possible, the Department believes it is in our interest to discuss the matter with the Italians and to indicate to them that the current plans of the airlines pose no undue threat to the welfare of their carriers.

The question of multiple designation is likely to remain the most critical element in the negotiations. We agree with your recommendation to pursue our earlier position on this question. However, in view of the negotiating history on this issue, we may face the prospect that maintaining our position on this could be very costly to us. It is quite possible that it could lead to a breakdown in the negotiations, with serious implications purely in aviation terms of escalating restrictions and counter-restrictions of services between and beyond the two countries. If it should prove to be necessary in order to avoid breaking off the talks, we should be prepared to consider other alternatives, such as an arrangement whereby we would obtain full rights for the existing carriers for operations from the United States to Italy, in return for an undertaking to negotiate out with the Italians the introduction of any new carrier into the market. This formulation would not only provide full flexibility for presently certificated carriers

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but would dispose of the troublesome "behind-the-gateway" question.

With respect to the all-cargo question, we believe an acceptable solution to this issue would be the establishment of a special regime for a period of two or three years followed by the application of Bermuda for a similar length of time. At the end of the second period the two sides could consult again as to the permanent arrangements.

These suggestions have been discussed in some detail with your staff. I wish to emphasize that with respect to the multiple designation and all-cargo proposals, the Delegation is under instructions not to propose these without further approval from the Department of State in coordination with the CAB and DOT.

Sincerely yours,

Philip H. Trezise
Assistant Secretary
for Economic Affairs

cc: DOT - Asst. Secy. Baker

Clearances: EUR/AIS - Mr. Beaudry
E/TT - Mr. Loy
E/AN - Styles

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